



Dave Yost • Auditor of State

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Education Agencies	2013	84.010	\$ 1,371,781	\$ 996,062
Title I Grants to Local Education Agencies	2014	84.010	5,454,207	6,031,716
Title I School Improvement	2014	84.010	74,582	93,910
Total - Title I Grants to Local Education Agencies Cluster			<u>6,900,570</u>	<u>7,121,688</u>
Special Education Grants to States	2013	84.027	498,071	439,324
Special Education Grants to States	2014	84.027	2,877,367	2,956,490
Total - Special Education Grants to States Cluster			<u>3,375,438</u>	<u>3,395,814</u>
ARRA-Race to the Top Incentive Grants	2013	84.395	143,572	146,787
ARRA-Race to the Top Incentive Grants	2014	84.395	814,392	844,508
Total - Race to the Top Incentive Grants			<u>957,964</u>	<u>991,295</u>
Improving Teacher Quality State Grants	2013	84.367	33,454	23,972
Improving Teacher Quality State Grants	2014	84.367	124,074	130,187
Total - Improving Teacher Quality State Grants			<u>157,528</u>	<u>154,159</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 11,391,500</u>	<u>\$ 11,662,956</u>

The accompanying notes are an integral part of this schedule.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Electronic Classroom of Tomorrow, Franklin County, Ohio (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the School's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Electronic Classroom of Tomorrow's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Electronic Classroom of Tomorrow's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, the Electronic Classroom of Tomorrow complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Receipts and Expenditures Required by OMB Circular A-133

We have also audited the financial statements of the Electronic Classroom of Tomorrow, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our unmodified report thereon dated December 16, 2014. We conducted our audit to opine on the School's basic financial statements. The accompanying schedule of federal awards receipts and expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements.

We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2014

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027 Special Education Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 349,889 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes.

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2014-001

Finding for Recovery Repaid Under Audit

Governmental entities, without regard to the specific nature, may not expend public monies unless they are for a proper public purpose. State ex re. McClure v. Hagerman, 155 Ohio St. 320, provides that governmental expenditures should serve a public purpose. In McClure, the Ohio Supreme Court offered the following guidelines to determine a public purchase: (1) Whether the expenditure is for or promotes the public health, safety, morals or general welfare; (2) Whether the primary objective is to promote a public purpose, although it may incidentally advance a private interest; (3) If there has been a prospective legislative determination of a proper public purchase.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-001 (Continued)

Finding for Recovery Repaid Under Audit (Continued)

Two employees, Dana Comparetto and Carol Dimoff, represented the School at the School Safety Conference in Las Vegas in July 2013. The flights and hotel were paid by the School's credit card and meal expenditures were reimbursed to the employees upon their return. The conference ended at noon on Friday. However the employees did not leave Las Vegas until Sunday night, incurring additional spending of \$290 in hotel fees and \$102 in meal expenditures.

The additional hotel fees and meal reimbursements totaling \$392, does not meet the definition of a proper public purpose as defined above.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegal expended is hereby issued against Dana Comparetto and Carol Dimoff in the amount of \$196 each in favor of the School's General Fund.

On November 4, 2014, \$196 was paid in full by Dana Comparetto and Carol Dimoff and the money was deposited in the School's General Fund.

Official's Response: This finding arose as a result of 2 ECOT employees spending an extra night at an out- of- state conference. The employees have reimbursed ECOT the \$392.00.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014



Electronic Classroom of Tomorrow
Columbus, Ohio

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**ELECTRONIC CLASSROOM
OF TOMORROW**

Columbus, Ohio

Comprehensive Annual Financial Report

**For The Year Ended
June 30, 2014**

Prepared by the Fiscal Officer and the School Finance Office Staff.

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**ELECTRONIC CLASSROOM OF TOMORROW
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2014
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Introductory Section



Electronic Classroom of Tomorrow

Columbus, Ohio

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December 16, 2014

To the Board of Directors and the Citizens of the Electronic Classroom of Tomorrow:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Electronic Classroom of Tomorrow (the School) for the fiscal year ended June 30, 2014. The CAFR is designed to assist and guide the reader in understanding its contents.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

As required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to compliment the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2014 and the outlook for the future.

State Audit

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted government auditing standards (GAGAS). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2014 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

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Profile of the Government

Ohio charter schools began operating after the passage of the 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. The School is sponsored by the Educational Service Center of Lake Erie West. The Educational Service Center of Lake Erie West provides oversight and technical services to 59 schools throughout the State serving nearly 32,500 children.

The School, based in Columbus, Ohio, has provided students, grades K-12, throughout the state with a quality, online public education since the 2000-2001 school year. Statewide-based teachers, supported by a team of advisors, are committed to high performance standards and innovative educational methods. A growing number of graduates have earned their high school diplomas, and many more will follow in their footsteps.

As an online public school, the School provides its students with a flexible, tuition-free alternative to traditional public education. The School is a national leader in the growing trend of online public education.

The School educates over fourteen thousand students between the ages of five and twenty-one from every county in the state of Ohio. Running an online school requires as many resources as a traditional public school. In addition to teachers, a staff of counselors, school administrators, customer service specialists, computer programmers, database managers, school-funding experts, shipping handlers and consultants enable the School to work.

The School operates under the direction of a seven-member Board of Directors (the Directors). The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control the School’s one instructional/support facility staffed by three hundred ninety-eight (398) non-certified and six hundred eighty (680) certificated personnel who provide services to 14,561 students.

The School contracts with Altair Learning Management I, Inc. for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, equipment and facilities.

Major Initiatives of ECOT

Mission

The ECOT mission: *To maximize academic growth for students seeking a non-traditional educational alternative through individualized instruction delivered by a highly effective faculty and staff.*

The ECOT mission is one of taking students where they are and providing the educational opportunities, intervention and services to enable them to “close the gap,” and be on target to graduate, as well as to master the skills necessary in the 21st century.

Stakeholder Input

Realizing that ECOT students enter below grade level expectations, growth is a critical component of the mission. This process of gathering stakeholder input has been institutionalized every spring in reviewing the data and success of implementation of strategies. Due to ECOT's federal designation of "School Improvement" the strategic team has been replaced by the Ohio Improvement Process (OIP) District Leadership Team, and follows essentially the same process with Ohio Department of Education (ODE) data tools and online reporting processes. This team meets quarterly to review the progress and results of the implementation of the specific strategies to meet ECOT goals.

ECOT Community

One unique feature of ECOT is that it is an online school serving the entire state of Ohio and its very diverse population. Students live in large urban areas of Cleveland, Cincinnati, Columbus; Appalachian areas in southern Ohio, rural farm districts throughout the state, and wealthy suburban districts. Students enter ECOT looking for an alternative to what they have already received: typically they are disillusioned, disenfranchised and disappointed with their "bricks and mortar" public school experience. However, some students enter for medical reasons, or life choices of their parents.

This unique feature poses two of ECOT's challenges:

- 1.) Orienting and teaching students (and parents) how to navigate the technology, as well as the self-discipline of logging on each day and attending school (live-sessions) is critical. Successful participation in an online school requires a unique set of skills and attitudes; therefore, the process of transitioning students from a traditional "bricks and mortar" school to an online environment is crucial in order to ensure success within the program that, in turn, will impact academic achievement and sustainability.
- 2.) Conducting mandatory State face-to-face testing regionally, within 30 miles of a student's home, three times a year, convincing some students that they "must" attend is discussed in detail in the Challenges section.

Another unique feature of ECOT is the diversity of the student body in Grades K-12. Some students may have left their previous district if the flexibility was not available to move at a quicker pace, graduate in three years, and/or take advantage of Post-Secondary School Options (PSOE). The majority, however have failed. Students in Grades 4-8 are in the bottom quintile of the state according to state test data. High school students have been held back one or more years and are not with their cohort group, are credit-deficient, and not in line to graduate within the four-year graduation rate formula.

This then presents the ultimate challenge for ECOT:

"Re-engaging" or motivating students who may not have previously been engaged in their education is difficult in any school, but is particularly difficult for those students who may feel that they cannot succeed. The critical challenge for ECOT teachers and administrators is the mission to close the gap in student academic performance, ensure growth and assure graduation.

ECOT demographic data mirrors State data relative to minority population, but in terms of economic data, seventy-five percent of our students live in poverty.

Vision

Vision: ECOT will be the leader in online learning by offering a flexible education based on individual needs of students in a supportive non-threatening environment.

The ECOT vision is one of steadily improving learners whose achievement trajectories project future academic success, culminating in a diploma. This vision is translated into a measurable goal and benchmarks so that each student's growth may be measured and support provided wherever it is needed.

State Testing

The State of Ohio administers summative achievement tests in reading and mathematics in the spring for grades 3 – 8, as well as science tests at grades 5 and 8. In high school, the state provides the Ohio Graduation Test (OGT) in five content areas: reading, mathematics, writing, science, and social studies. All five high school tests must be passed to earn a diploma.

School districts are evaluated by both the achievement levels demonstrated by their students and the degree to which the students display growth. The most important measure of achievement is the Performance Index (PI), an average score across grades and content areas of all full-year students on all required tests. Theoretically, the range of the Index is from zero (if all students failed to attend all tests) to 120 (if all students were to score advanced on all tests).

With respect to the measurement of academic growth, the state is committed to employing Sanders' value-added model. A year's growth in reading or mathematics for any student is defined as obtaining the same Normal Curve Equivalent (NCE) from one year to the next. Improving one's NCE is defined as making growth of more than one year. The district contribution is measured by the difference in starting and ending NCE. Districts whose students grow in terms of mean NCE are said to add value.

Formative Assessment and Intervention

ECOT relies heavily on formative assessment to monitor achievement throughout the school year. The district provides a standardized assessment in reading and mathematics at the start of the year and following each unit taught. The assessments employ items from item banks provided by test publishers. Items are aligned to state indicators. Their validity is verified by correlating assessment results with the state tests taken at the end of the school year.

Teachers receive training in the development, administration and interpretation of short-cycle assessments as well as in the interpretation of group item analysis. Based on the data supplied by the standardized and short-cycle assessments, teachers determine what re-teaching is necessary and which students need intervention.

Intervention Services

ECOT utilizes the majority of federal dollars to provide intervention services to students through the Federal Response to Intervention (RtI) program. The universal screening is first, failure on the OAA or OGT. Highly qualified teachers, trained in intervention techniques and progress monitoring provide highly individualized services to students who do not have an IEP. Intervention is also provided through the Department of Exceptional Children (DEC) as over 20% of ECOT students arrive with an IEP.

Challenges

As a virtual school whose model student comes to the district with large academic deficits, ECOT is constantly challenged. For one thing, as a virtual school with no school buildings, motivating students to travel to test sites to take state tests is always a monumental endeavor for staff.

Federal law requires that at least 95% of all students registered at the time of testing take the reading and mathematics tests. State law does not demand a specific percentage, but assigns a zero to the district's Performance Index whenever a required test is missed.

ECOT's testing task each year is clear: to get as many students as possible to the test sites. Remarkably, ECOT has maintained a testing participation rate of approximately 98% each spring. The district manages to meet federal requirements, obtain few zeros, and test a sample of students that is truly representative of the entire student body. In fact, ECOT tests virtually the entire student population

To accomplish this annual task, the central office staff and teachers maintain contact throughout the year with an assigned group of students. Teachers and staff attend the test administration sites throughout the state, serving as site coordinators, proctors, and drivers (where needed). When a student fails to show up, a staff member is on the phone immediately to that student, offering transportation to the site or, if necessary, scheduling a make-up.

A second challenge has been to ensure the improvement of our students in reading and mathematics. State data tell us that the large majority come to ECOT in the bottom quintile of the state in mathematics and the bottom quartile in reading. In many cases, ECOT is their last hope.

ECOT's goal is to ensure that all grow throughout the school year, which the school monitors through formative assessment. Each year ECOT strives for value added. Using the data that comes from state testing, teachers and administrators carefully examine the score trajectories to ensure that the scores are improving.

The bottom line: ECOT overcomes difficulties to obtain data that is representative and ensures that students are growing, regardless of where they are when they enroll in ECOT.

Conclusion

In conclusion, ECOT's mission of maximizing academic growth for students seeking a non-traditional educational alternative through individualized instruction is what the district continually strives to deliver.

As an online school, ECOT believes that its highly effective faculty and staff provide a wonderful public service to the state of Ohio and to its school community by truly serving a need that was not being served before ECOT's existence. The promise of truly customized learning and non-traditional delivery of instruction continues to provide academic growth to students who need help.

ECOT is proud to serve a diverse student population, including many students whose academic needs were not met by their previous school. In elementary and middle school, ECOT students typically come to us in the bottom quintile of the state academically. In high school, they come to ECOT credit deficient and unlikely to graduate.

A large number of students choose ECOT because of their desire to learn at home or for the flexibility the school can provide in scheduling. Many have been bullied at their previous school. Others have health problems that prohibit them from attending traditional schools. Still others work to support their families. Some are artists, musicians or athletes, whose careers make it impossible to attend a traditional school.

ECOT's founder was moved to open the school in response to the personal needs of his own two children. During the past 14 years, ECOT has attracted tens of thousands of students with unique needs who struggled in a traditional school environment. At ECOT, many of them have thrived in an online, non-traditional environment and were able to graduate from high school and contribute to their local communities and beyond.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code chapter 5705, unless specifically provided in the sponsor's contract with the School. The contract between the School and its Sponsor (The Educational Service Center of Lake Erie West) does prescribe an annual budget requirement and sets forth a requirement to prepare a five-year forecast that is to be updated semi-annually.

Financial Policies and Procedures

ECOT has several financial policies that are made available to employees in the ECOT Employee Handbook. All ECOT policies are approved by the Board of Directors before they are implemented. The policies promote a centralized control of expenditures with multiple levels of authorization required for all expenses exceeding \$500.

ECOT procedures are designed to promote adherence to school policies, State legislation, Sponsor agreements and Ohio Department of Education (ODE) requirements. ECOT follows procedures that allow for academic and financial success to be achieved.

To ensure financial success and transparency, the School Treasurer, the Vice President of Finance, the Superintendent and the Chief of Staff meet regularly with the Management Company, which includes its Chief Executive Officer and Chief Financial Officer, to analyze how ECOT is performing against its budget (forecast) and to make appropriate adjustments. Per the requirements of Ohio legislation, a five-year forecast is submitted to ODE and ECOT's Sponsor every October and May. Annually, mainly in June, the Board of Directors is presented with ECOT's budget for the upcoming twelve months, beginning on July 1. Additionally, the Board has contracted with a CPA firm, Whalen & Company, to perform an internal audit function.

ECOT's adherence to policies and procedures is reflected by several earned awards. ECOT is a seven year recipient of the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for the fiscal years ended June, 30, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. ECOT also received the Ohio Auditor of State Award of Distinction for the fiscal years ended June 30, 2012 and 2013.

Long Term Financial Planning

ECOT plans to maintain its current share of the e-school market through effective marketing and retention plans. While most of ECOT's enrollment results from word-of-mouth referrals from existing students, ECOT augments its growth as required to meet its goals through advertising, supported by data obtained through analytics. ECOT continues to focus on improving its retention rates by delivering better services and socialization opportunities to its students.

Economic Issues

Since the enactment of the community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see the Statistical Section for historical funding levels). Although per pupil funding in the State, for the most part, has increased over the past several years, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities where they operate.

As discussed later, the School was funded on 14,561 full-time equivalent students for fiscal year 2014 as compared to 13,721 in fiscal year 2013. The School has continued to experience strong enrollment. Based on the School's consistent enrollment, coupled with increases in State funding, it is expected that revenues for fiscal year 2015 will exceed those of fiscal year 2014.

Awards and Acknowledgements

As mentioned previously, the Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School for its comprehensive annual financial report for the year ended June 30, 2013. This was the seventh consecutive year that the School has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and effectively organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The School also received a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International (ASBO) for its CAFR for the fiscal year ended June 30, 2013. This was the seventh consecutive year that the School has achieved this prestigious award. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to school systems that have met or exceeded the standards of the program. This award is granted only after an intense review of the financial reports by an expert panel of certified public accountants and practicing school business officials.

The School also received the Ohio Auditor of State Award with Distinction for its CAFR for the fiscal year ended June 30, 2013. This was the second consecutive year that the School has achieved this prestigious award. Entities that receive the award must meet the following criteria of a "clean" audit report: (1) the entity must file timely financial reports with the Auditor of State's office in the form of a CAFR (Comprehensive Annual Financial Report); (2) the audit report does not contain any findings for recovery, material citations, material weaknesses,

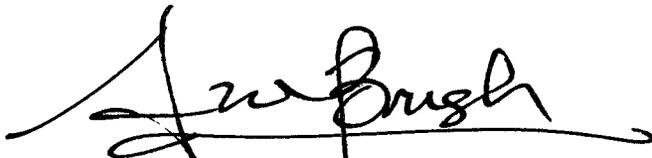
significant deficiencies, Single Audit findings or questioned costs; (3) the entity's management letter contains no comments related to ethics referrals, questioned costs less the \$10,000, lack of timely report submission, reconciliation, failure to obtain a timely Single Audit, findings for recovery less than \$100, public meetings or public records.

The School would like to acknowledge and thank the finance department staff for their assistance in the preparation of this report: Amy Elliott, Chris Meister and Marcia Speck.

Sincerely,



Michele Smith
Treasurer
Electronic Classroom of Tomorrow



Andy Brush
Chairman, Board of Directors
Electronic Classroom of Tomorrow



Rick Teeters
Superintendent
Electronic Classroom of Tomorrow



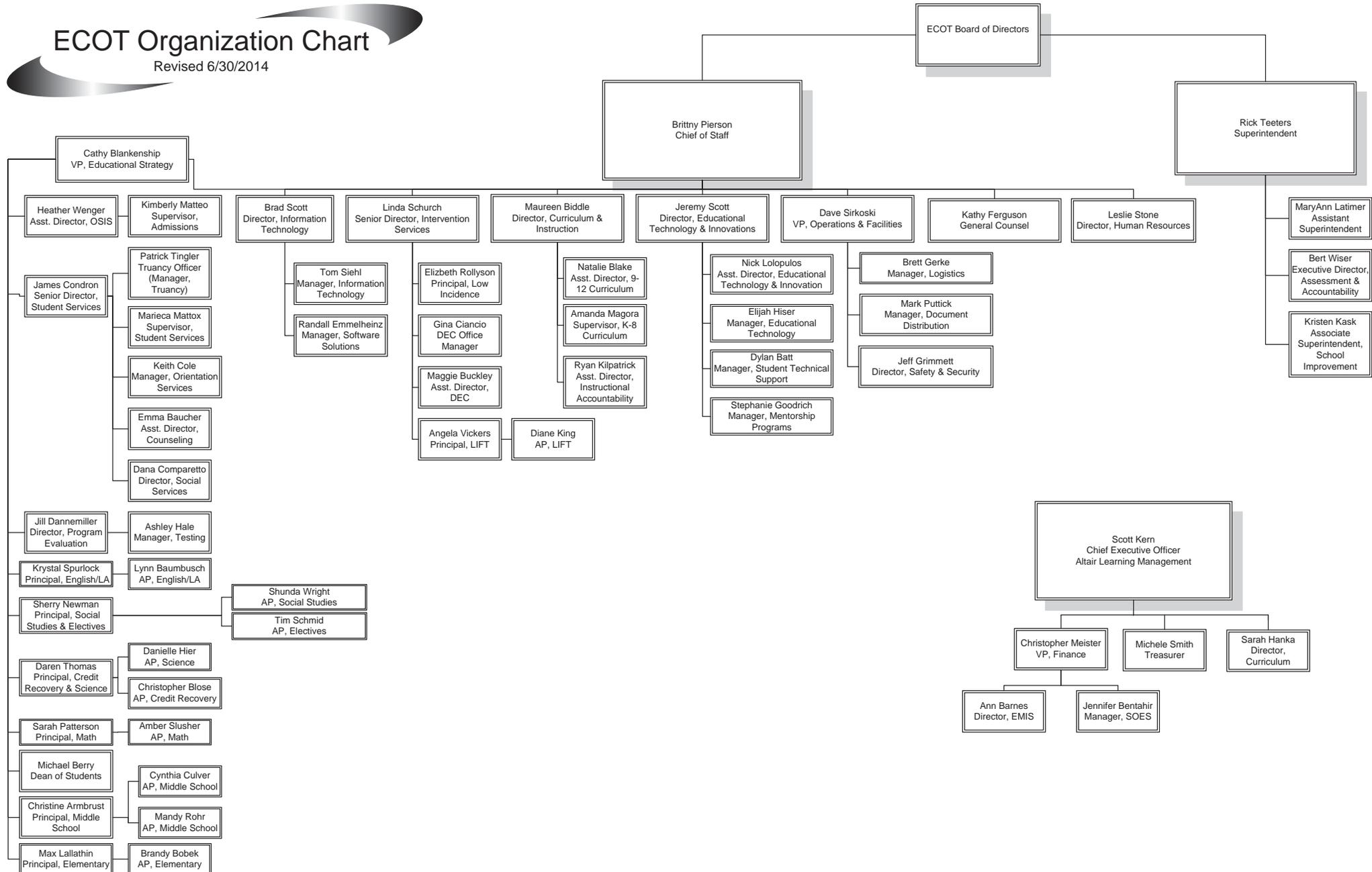
Brittny Pierson
Chief of Staff
Electronic Classroom of Tomorrow

**Electronic Classroom of Tomorrow
Board of Directors
June 30, 2014**

Andy Brush	Board Chairman
Chris Stock	1 st Vice Chairman
Matthew Ottiger	2 nd Vice Chairman
Shirley Spellman	Parliamentarian
Pam Bennett	Board Member
Greg Randall	Board Member
Vince Resor	Board Member
Nick Coenen	Non-Voting Board Member
Jack McKenna	Non-Voting Board Member
Donna Wihl	Board Secretary
Rick Teeters	Superintendent
Brittney Pierson	Chief of Staff
Michele Smith	Treasurer

ECOT Organization Chart

Revised 6/30/2014





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Electronic Classroom of Tomorrow
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Electronic Classroom of Tomorrow

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

Financial Section



Electronic Classroom of Tomorrow

Columbus, Ohio

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electronic Classroom of Tomorrow, Franklin County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2014

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited*

The discussion and analysis of Electronic Classroom of Tomorrow's (ECOT) financial performance provides an overall review of ECOT's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at ECOT's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of ECOT's financial performance.

Financial Highlights

Key Financial Highlights of ECOT for the year ended June 30, 2014 are as follows:

Total Net Position was \$31,808,560.

Total Operating Revenue was \$100,218,537.

Total Operating Expenses were \$112,678,099.

Change in Net Position was \$2,147,894.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the whole entity, presenting both an aggregate view of ECOT's finances and a longer-term view of those finances. For ECOT, there is only one fund presented.

Reporting ECOT

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The view of ECOT as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Position answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report ECOT's net position and changes in that position. This change in net position is important because it tells the reader whether, for ECOT as a whole, the financial position of ECOT has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited*

ECOT

The Statement of Net Position provides the perspective of ECOT as a whole. Table 1 provides a summary of ECOT's net position for 2014 compared to 2013:

Table 1 Statement of Net Position			
	2014	2013	Percentage Change
<u>Assets</u>			
Current Assets and Other Assets	\$ 36,294,642	\$ 33,011,037	10%
Capital Assets, Net of A/D - (See Note 5)	6,472,316	5,687,774	14%
Total Assets	42,766,958	38,698,811	11%
<u>Liabilities</u>			
Current Liabilities	10,451,077	8,692,847	20%
Long Term Liabilities	507,321	345,298	47%
Total Liabilities	10,958,398	9,038,145	21%
<u>Net Assets</u>			
Investment in Capital Assets	6,472,316	5,687,774	14%
Restricted	12,394,084	7,070,271	75%
Unrestricted	12,942,160	16,920,621	-23%
Total Net Position	\$ 31,808,560	\$ 29,660,666	7%

Total assets increased by \$4,068,147. While cash and cash equivalents decreased by \$1,536,638 as a result of the security deposits increase of \$2,252,831 for a secured line of credit (see Note 18), total receivables increased by \$1,412,895 due to the increase in Straight A Grant revenue. Prepaid items decreased by \$558,271, and Inventory supplies increased by \$1,712,788 because of student computer and teacher laptop purchases.

Total current liabilities increased by \$1,758,230. Accrued wages and benefits payable increased by \$530,625 due to staffing increases. Current notes payables increased by \$853,445 (see Note 12).

Total long term liabilities increased by \$162,023 due to a \$224,888 notes payable increase and a \$62,865 decrease for compensated absences.

ECOT's 2014 net position increased by \$2,147,894 from current year activities. Restricted net position increased by \$5,323,813 due to increases in intergovernmental receivables. Investment in capital assets increased by \$784,542 due to additional purchases.

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited*

Table 2			
Statement of Revenues, Expenses and Changes in Net Position			
	2014	2013	Percentage Change
<u>Operating Revenue:</u>			
Foundation Payments	\$ 83,643,884	\$ 78,004,989	7%
Special Education	15,631,818	10,413,423	50%
Extracurricular	1,320	20,597	-94%
Other Operating Revenues	941,515	1,486,420	-37%
Total Operating Revenues	<u>100,218,537</u>	<u>89,925,429</u>	11%
<u>Operating Expenses:</u>			
Salaries	42,538,404	38,426,868	11%
Fringe Benefits	14,882,477	13,537,698	10%
Purchased Services	30,957,632	24,585,349	26%
Materials and Supplies	20,816,196	19,364,690	7%
Depreciation & Amortization Expense	1,591,393	1,660,108	-4%
Merit Incentives	966,014	783,393	23%
Other Operating Expenses	925,983	462,935	100%
Total Operating Expenses	<u>112,678,099</u>	<u>98,821,041</u>	14%
<u>Non-Operating Revenues and Expenses:</u>			
Non-Operating Grants	14,659,743	12,065,892	21%
Interest Revenue	76,327	73,947	3%
Interest and Fiscal Charges	(128,614)	(126,159)	2%
Total Non-Operating Revenues & Expenses	<u>14,607,456</u>	<u>12,013,680</u>	22%
Change in Position	2,147,894	3,118,068	-31%
Net Position at Beginning of Year	29,660,666	26,542,598	12%
Net Position at End of Year	<u>\$ 31,808,560</u>	<u>\$ 29,660,666</u>	7%

Operating Activities

The Statement of Revenues, Expenses and Changes in Net Position show the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

Total operating revenue increased by 11% in fiscal year 2014. This was due to an increase in State Aid, attributable to the increased student enrollment.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited*

Salaries and Fringe Benefits comprise 51% of total operating expenses. Interest and fiscal charges expense was \$128,614, 0.88% of total expenses. Interest expense was attributable to notes payable for computers, peripherals and servers.

Total operating expenses increased by 14% in fiscal year 2014. ECOT increased non-certificated staff by 53 employees and increased certificated personnel by 38 employees resulting in an increase in salaries and fringe benefits. Materials and supplies increased by 7%, reflective of the inventory increase. Purchased services increased by 26% for the growing student and staff's connectivity costs. Depreciation and amortization expense decreased by 4% (see Note 5).

Capital Assets and Debt Administration

Capital Assets

At the end of 2014 ECOT had \$9,850,018 (less \$3,377,702 in accumulated depreciation and amortization) invested in buildings, building improvements, land improvements, vehicles, other computer equipment, furniture, equipment and software. See Note 5 for more detailed information.

Table 3 shows 2014 balances compared to 2013:

Table 3			
Capital Assets (net of depreciation & amortization) at June 30			
	2014	2013	Percentage Change
Buildings and Improvements	1,725,811	1,541,326	12%
Land	1,120,000	1,120,000	0%
Land Improvements	870,912	918,930	-5%
Vehicles	22,776	28,373	-20%
Other Computer Equipment	1,632,922	1,219,195	34%
Furniture & Equipment	511,907	414,276	24%
Software	587,988	445,674	32%
Totals	\$ 6,472,316	\$ 5,687,774	14%

Acquisitions were more than depreciation this year by \$784,542. For the fiscal year ended June 30, 2014, ECOT had \$2,375,936 in purchases of building improvements, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2014 was \$1,591,394.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited*

Debt

At June 30, 2014 ECOT had \$2,162,587 in Notes Payable. At June 30, \$1,937,699 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 12 for more detailed information.

Table 4			
Outstanding Debt, at June 30			
	2014	2013	Percentage Change
Notes Payable	2,162,587	1,084,254	99%

Current Financial Issues

In conclusion, ECOT has committed itself to financial excellence. All of ECOT's financial abilities will be needed to meet the challenges of the future. During the fiscal year, there were approximately 14,561 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$5,745 per student.

Contacting ECOT's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of ECOT's finances and to show ECOT's accountability for the money it receives. If you have questions about this report or need additional information contact Michele Smith, Treasurer of the Electronic Classroom of Tomorrow, 3700 South High Street, Suite 120, Columbus, OH 43207 or e-mail at michele.smith@ecotoh.org.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 19,363,927
Intergovernmental Receivable	7,046,568
Inventory Supplies	2,942,809
Prepaid Items	1,496,037
Accounts Receivable	<u>55,742</u>
 Total Current Assets	 30,905,083
Noncurrent Assets:	
Security Deposits	5,389,559
Non-Depreciable Capital Assets	1,120,000
Capital Assets, Net	<u>5,352,316</u>
 Total Noncurrent Assets	 <u>11,861,875</u>
 Total Assets	 <u><u>42,766,958</u></u>

Liabilities

Current Liabilities:	
Accounts Payable	500,057
Accrued Wages & Benefits Payable	5,760,265
Unclaimed Monies Payable	181,271
Intergovernmental Payable	780,913
Merit Incentives Payable	966,014
Notes Payable – Current	1,937,699
Judgment Payable	259,572
Compensated Absences Payable – Current	<u>65,286</u>
 Total Current Liabilities	 10,451,077
Noncurrent Liabilities:	
Notes Payable	224,888
Compensated Absences Payable	<u>282,433</u>
 Total Noncurrent Liabilities	 <u>507,321</u>
 Total Liabilities	 <u>10,958,398</u>

Net Position

Investment in Capital Assets	6,472,316
Restricted for Security Deposits	5,389,559
Restricted for Grants	7,004,525
Unrestricted	<u>12,942,160</u>
 Total Net Position	 <u><u>\$ 31,808,560</u></u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Operating Revenues:

Foundation Payments	\$ 83,643,884
Special Education	15,631,818
Extracurricular	1,320
Other Operating Revenues	<u>941,515</u>
 Total Operating Revenues	 100,218,537

Operating Expenses:

Salaries	42,538,404
Fringe Benefits	14,882,477
Purchased Services	30,957,632
Materials and Supplies	20,816,196
Merit Incentives	966,014
Depreciation and Amortization	1,591,393
Other Operating Expenses	<u>925,983</u>
 Total Operating Expenses	 <u>112,678,099</u>
 Operating (Loss)	 (12,459,562)

Non-Operating Revenues and (Expenses):

Non-Operating Grants	14,659,743
Interest Revenue	76,327
Interest and Fiscal Charges	<u>(128,614)</u>
 Total Non-Operating Revenues and (Expenses)	 <u>14,607,456</u>
 Change in Net Position	 2,147,894
 Net Position at Beginning of Year	 <u>29,660,666</u>
Net Position at End of Year	<u><u>\$ 31,808,560</u></u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 99,275,702
Cash Received from Extracurricular Activities	1,320
Cash Received from Other Operating Sources	8,025,586
Cash Payments to Suppliers for Goods and Services	(48,801,772)
Cash Payments to Employees for Services	(42,917,986)
Cash Payments for Employee Benefits	(14,882,923)
Cash Payments for Other Operating Uses	(9,267,161)

Total Cash Flows used for Operating Activities (8,567,234)

Cash Flows from Non-Capital Financing Activities

Payment of Notes Payable	(2,966,767)
Non-Operating Grants	12,432,320
Interest on Notes Payable	(128,614)

Total Cash Flows from Non-capital Financing Activities 9,336,939

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(2,375,936)</u>
-----------------------------------	--------------------

Total Cash Flows used for Capital and Related Financing Activities (2,375,936)

Cash Flows from Investing Activities

Interest on Investments	<u>69,593</u>
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Total Cash Flows from Investing Activities 69,593

Net Decrease in Cash and Cash Equivalents (1,536,638)
Cash and Cash Equivalents at Beginning of Year 20,900,565

Cash and Cash Equivalents at End of Year \$ 19,363,927

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of Operating Loss to
Net Cash Used for Operating Activities:

Operating Loss	\$ (12,459,562)
----------------	-----------------

Adjustments to Reconcile Operating
Loss to Net Cash Used for Operating Activities:

Depreciation & Amortization	1,591,393
Change in Assets and Liabilities:	
Decrease in Account Receivable	816,500
Decrease in Prepaid Items	558,271
Change in Inventory of Supplies (Refer to Note 6)	2,332,313
(Increase) in Security Deposits	(2,248,069)
Decrease in Accounts Payable	(51,410)
Increase in Accrued Wages & Benefits	530,625
Increase in Unclaimed Monies Payable	26,796
Increase in Intergovernmental Payable	4,309
Increase in Merit Incentives Payable	182,621
Increase in Judgments Payable	165,572
Decrease in Compensated Absences Payable	(16,593)
Total Adjustments	3,892,328
Net Cash Used for Operating Activities	\$ (8,567,234)

Non Cash Transactions

On June 23, 2014, ECOT entered into a Sale and Leaseback Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$1,762,224 for the purchase of student computers, laptops and servers.

On June 27, 2014, ECOT entered into a Secured Line of Credit with JP Morgan Chase in an amount not to exceed \$3,000,000 for the purpose of future construction work on the building and property at 3700 South High Street.

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

Electronic Classroom of Tomorrow (ECOT) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. ECOT's objective is to lead Ohio in becoming the nation's premier, performance driven telecommunity school. ECOT recognizes the role of parents in the education of children is paramount. The role of ECOT is to support the parent in delivering the best resources and tools necessary for student success. ECOT wishes to make distance learning accessible to all of Ohio's students regardless of mental, emotional, or physical disability, regardless of social-economic or geographical hardship, and regardless of academic ability or family background. ECOT, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. ECOT may acquire facilities as needed and contract for any services necessary for the operation of the school.

ECOT was approved for operation under a contract with the Educational Service Center of Lake Erie West (the Sponsor) for a period of five academic years commencing after July 1, 2000. The Sponsor is responsible for evaluating the performance of ECOT and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The contract was extended indefinitely on July 12, 2012.

ECOT operates under the direction of a nine-member Board of Directors (the Directors), of which seven are voting and two are non-voting members. The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control ECOT's one instructional/support facility staffed by three hundred ninety-eight (398) non-certified and six hundred eighty (680) certificated teaching personnel who provide services to 14,561 students.

ECOT contracts with Altair Learning Management I, Inc. for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial report, recruiting, compliance issue, budgets, contracts, and equipment and facilities. (See Note 15).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity

A reporting entity is comprised of the primary government, and other organizations that are included to insure that the financials are not misleading. The primary government of ECOT consists of all funds, departments, boards, and agencies that are not legally separate from ECOT. For ECOT, this includes regular, special instruction, support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services and operation and maintenance of plant.

The financial statements of ECOT have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

C. Basis of Presentation

ECOT's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and statement of cash flows.

Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position display information about ECOT. These statements include the financial activities of the primary government, which are considered business-type activities.

D. Measurement Focus

The financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of ECOT are included on the Statement of Net Position. The Statement of Revenue, Expenses, and Changes in Net Position present increases and decreases in net position. The Statement of Cash Flows provides information about how ECOT finances and meets the cash flow needs of its business type activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the accrual basis of accounting.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which ECOT receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which ECOT must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ECOT on a reimbursement basis.

Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

F. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in ECOT's contract with its Sponsor. The contract between ECOT and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated semi-annually.

G. Cash and Investments

During fiscal year 2014, ECOT's investments were limited to repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, bank certificates of deposit, federal agency securities and money market mutual funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue credited during fiscal year 2014 amounted to \$76,327, which includes \$69,593 non-operating interest revenue in addition to \$1,973 interest included in accounts receivable and \$4,761 security deposits' interest.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and Special Education which are reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and contributions. Grants, entitlements and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Amounts awarded under the above programs for the 2014 school year totaled \$99,275,702.

I. Inventory of Supplies

Inventories are stated at cost. Cost is determined using the FIFO method and are determined by physical count. Inventories consist of consumable supplies, and new computers and peripherals that have not been deployed to students.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by ECOT. An expense is reported in the year in which services are consumed.

K. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. ECOT maintains a capitalization threshold of \$5,000. ECOT does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 to 20 years
Buildings	5 to 45 years
Furniture and Other Equipment	5 to 7 years
Vehicles	6 years
Software	3 years

L. Compensated Absences

Paid time off benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that ECOT will compensate the employees for the benefits through paid time off or some other means. ECOT records a liability for vested paid time off up to a maximum of fifteen days at 50% for twelve month employees.

M. Security Deposits

ECOT entered into several leases for the use of the building for administration, for computer start-up costs and computer equipment; a line of credit deposit; and for use of a certain phone company for which security deposits were required to be paid at the signing of the agreement. The amounts held by the respective lessors/vendors are \$5,389,559.

N. Net Position

Net position represents the difference between assets and liabilities.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by ECOT or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. ECOT presently reports \$12,394,084 as restricted net position, all of which is imposed by external restrictions. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings for the acquisition, construction or improvement of those assets. ECOT applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

Q. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of ECOT. Operating expenses are necessary costs incurred to provide the service that is the primary activity of ECOT. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - NEW PRONOUNCEMENTS

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* in March 2012. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

The GASB issued Statement No. 66, *Technical Corrections – 2012* in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 2 - NEW PRONOUNCEMENTS (Continued)

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans* in June 2012. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* in January 2013. This Statement established accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 31, 2013, and should be applied on a prospective basis. Earlier application being encouraged.

The GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by ECOT into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in ECOT's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At June 30, 2014, the carrying amount of all ECOT deposits was \$14,525,428. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$15,349,157 of ECOT's bank balance of \$19,363,927 was exposed to custodial risk as discussed below, while \$6,012,526 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, ECOT will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of ECOT.

ECOT has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with ECOT's fiscal agent or a qualified trustee by the financial institution as security for repayment, or by collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on 105% of the deposits being secured.

Investments

Interim monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days, in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments of ECOT as of June 30, 2014 were as follows:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	37 to 42 Months
FHLB	500,139	500,139	0	0	0	0
FHLMC	999,235	0	0	500,854	0	498,381
FFCB	1,500,308	0	500,376	500,782	499,150	0
Repurchase Agreements	1,838,817	1,838,817	0	0	0	0
	<u>\$4,838,499</u>	<u>\$2,338,956</u>	<u>\$ 500,376</u>	<u>1,001,636</u>	<u>\$ 499,150</u>	<u>\$ 498,381</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, ECOT's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless, at the time of making the investment, is reasonably expected to be held to its maturity. Unless matched to a specific obligation or debt of ECOT, ECOT's treasurer will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk: The Collateralized Mortgage Obligations, underlying securities for Repurchase Agreements, carry a rating of AAa by Moody's and AAA by Standard and Poor's. ECOT has no policy regarding credit risk.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: ECOT places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by ECOT at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 1,838,817	38.00%
FHLB	500,139	10.34
FHLMC	999,235	20.65
FFCB	<u>1,500,308</u>	<u>31.01</u>
Total	<u>\$ 4,838,499</u>	<u>100.00%</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
Straight A	\$ 1,915,935
Race to the Top	932,281
IDEA B	960,676
Title I School Improvement	106,790
Title III	7,138
Title I	3,084,981
Title IIA	<u>38,767</u>
Total Intergovernmental Receivables	<u>\$ 7,046,568</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Capital Assets				
Buildings and Improvements	\$ 1,592,365	\$ 238,985	\$ (0)	\$ 1,831,350
Land Improvements	960,354	0	(0)	960,354
Vehicles	33,584	0	(0)	33,584
Other Computer Equipment	2,450,310	867,479	(672,668)	2,645,121
Furniture & Equipment	992,901	212,964	(260,856)	945,009
Software	2,538,325	1,056,508	(1,280,233)	2,314,600
Total at Historical Cost	<u>8,567,839</u>	<u>2,375,936</u>	<u>(2,213,757)</u>	<u>8,730,018</u>
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	51,039	54,500	(0)	105,539
Land Improvements	41,424	48,018	(0)	89,442
Vehicles	5,211	5,597	(0)	10,808
Other Computer Equipment	1,231,115	453,752	(672,668)	1,012,199
Furniture & Equipment	578,625	115,333	(260,856)	433,102
Software	2,092,651	914,194	(1,280,233)	1,726,612
Total Accumulated Depreciation and Amortization	<u>4,000,065</u>	<u>1,591,394</u>	<u>(2,213,757)</u>	<u>3,377,702</u>
Capital Assets, Net	<u>\$ 4,567,774</u>	<u>\$ 784,542</u>	<u>\$ (0)</u>	<u>\$ 5,352,316</u>

Non-depreciable capital asset activity for fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Non-Depreciable Capital Assets				
Land	\$ 1,120,000	\$ 0	\$ (0)	\$ 1,120,000
Non-Depreciable Capital Assets	<u>\$ 1,120,000</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 1,120,000</u>

NOTE 6 - RISK MANAGEMENT

A. Insurance Coverage

ECOT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2014, ECOT contracted with Philadelphia Indemnity Insurance Company (Philadelphia) for property, crime, equipment, general liability, automobile and sexual abuse & molestation insurance. The general liability policy is protected by Philadelphia with a \$1,000,000 each occurrence limit and a \$2,000,000 general aggregate limit. The automobile insurance includes coverage for ECOT's two owned vehicles, a 2002 Chevrolet Cavalier and a 2011 Toyota Sienna. The automobile insurance liability combined single limit is \$1,000,000 with deductibles of

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

\$500 for comprehensive, \$1,000 for collision owned automobiles and \$1,000 for collision hired automobiles. The sexual abuse & molestation insurance coverage provides a \$1,000,000 each claim limit and a \$1,000,000 aggregate limit. Additionally, it should be noted that there were no significant reductions in insurance coverage from the prior year and no insurance settlements have exceeded insurance coverage in any of the past three years

In addition to the crime coverage provided through Philadelphia, ECOT also has an excess crime policy through National Union Fire Insurance Company / AIG. This policy has the following limits / deductibles: employee theft - \$1,750,000 (limit) / \$250,000 deductible; computer fraud - \$2,000,000 / \$10,000; and funds transfer - \$2,000,000 / \$10,000.

The educator's legal liability policy covers errors and omissions. This policy is protected by National Union Fire Insurance Company of Pittsburgh, PA / AIG, with a \$1,000,000 single occurrence limit, a \$1,000,000 aggregate limit and a \$75,000 deductible.

The security & privacy liability policy covers claims arising from ECOT's cyberspace activities. National Union Fire Insurance Company / AIG protects this policy with a \$2,000,000 limit and a \$25,000 deductible.

ECOT also has an additional miscellaneous professional liability policy for the coverage of employed lawyers. This policy is protected by Philadelphia with a \$1,000,000 aggregate limit and a \$10,000 deductible.

Providing an additional layer of risk protection, ECOT has an umbrella policy through Merchants Mutual Insurance Company that has a limit of liability for each incident and an annual aggregate limit of \$10,000,000. The umbrella policy provides additional coverage over all policies except the employed lawyers' policy and the security & privacy liability policy.

B. Workers' Compensation

ECOT pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - ECOT contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and ECOT is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. ECOT's contribution to SERS for the years ended June 30, 2014, 2013, and 2012 were \$1,373,395, \$1,188,555, and \$1,040,798, respectively, which equaled the required contributions each year. A total of 97.1% of contributions were paid for fiscal year 2014, 99.2% for 2013, and 100% of for 2012.

B. State Teachers Retirement Systems of Ohio

Plan Description - ECOT participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to

**ELECTRONIC CLASSROOM OF TOMORROW
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(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in the current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
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JUNE 30, 2014
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits were increased by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fee, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy – Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Contributions requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll or members and 14% for employers. ECOT's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$4,021,509, \$3,750,112, and \$3,338,449, respectively; 100% has been contributed for fiscal year 2014, 96.67 percent fiscal year 2013 and 100% for fiscal year 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$392,899 made by ECOT and \$308,706 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2014 *Comprehensive Annual Financial Report* will be available after December 20, 2014.

Additional information or copies of STRS Ohio's 2014 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strs.oh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, no members of the Board of Directors have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. ECOT's contributions for the years ended June 30, 2014, 2013 and 2012 were \$79,678, \$67,140, and \$61,464, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014 the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. ECOT's contributions assigned to health care for the years ended June 30, 2014, 2013 and 2012 were \$14,678, \$14,517, and \$45,074, respectively.

The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio Law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care of the years ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$328,013, \$305,547, and \$238,461, respectively; 100 percent has been contributed for fiscal year 2014, 96.67 percent for fiscal year 2013, and 100 percent has been contributed for fiscal year 2012.

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining paid time off are derived from negotiated agreements and State laws. Classified employees earn fifteen to twenty-five days of paid time off per year, depending upon length of service. Accumulated unused paid time off is paid to classified employees upon termination of employment up to 15 days at 50% of leave balance. Teachers and administrators, who are not on a twelve-month contract, do not earn paid time off. Teachers and counselors earn sick leave at a rate of one day per month. Sick leave may be accumulated up to thirty days for teachers and counselors. ECOT assumes no liability for sick leave payout when an employee leaves service.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 9 - OTHER EMPLOYEE BENEFITS (Continued)

B. Employee Medical, Dental and Vision Benefits

ECOT has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 25 or more hours per week. ECOT pays a portion of the monthly premiums for all selected coverage (medical, dental and/or vision).

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security. As of June 30, 2014, no ECOT employees contributed to Social Security.

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 10,301,129
Property Services	5,204,534
Travel Mileage/Meeting Expenses	943,328
Communications	10,867,526
Utilities	133,463
Contracted Trade Services	467,945
Tuition and Other Similar Payments	166,141
Pupil Transportation	3,185
Other Purchased Services	2,870,381
Total Purchased Services	<u>\$ 30,957,632</u>

NOTE 11 - LONG-TERM LIABILITIES

The changes in ECOT's long-term obligations during the fiscal year consist of the following:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Compensated Absences	\$ 364,311	\$ 71,941	\$ (88,533)	\$ 347,719	\$ 65,286
Notes Payable	1,084,254	4,045,100	(2,966,767)	2,162,587	1,937,699
Total Long-Term Liabilities	<u>\$ 1,448,565</u>	<u>\$ 4,117,041</u>	<u>(\$3,055,300)</u>	<u>\$ 2,510,306</u>	<u>\$ 2,002,985</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 11 - LONG-TERM LIABILITIES (Continued)

Compensated absences, representing ECOT's contractually required vested paid time off which ECOT has entered into, is paid when an employee leaves ECOT's services. Compensated absences due within one year are \$65,286.

ECOT entered into a guidance line of credit in the amount of \$6,000,000 with National City Commercial Capital on June 29, 2007 for the purpose of future equipment funding requirements for the school. The line of credit was secured by a \$3,136,661.75 security deposit with PNC Bank. The guidance line renewal period was from June 30, 2014 through June 30, 2015. At June 30, 2014 ECOT had not borrowed on the line of credit.

ECOT entered into a line of credit in an amount not to exceed \$3,000,000 with JP Morgan Chase on June 27, 2014 for the purpose of future construction work on the building and property at 3700 South High Street. The line of credit was secured by a \$2,250,049.23 security deposit with PNC Bank. At June 30, 2014 ECOT had not borrowed on the line of credit

NOTE 12 - NOTES PAYABLE

ECOT entered into numerous notes payable for the purchase non-capitalized assets including student computers and peripherals. The amounts paid represent more than 90% of the fair market value of the computers and peripherals.

The annual requirements to amortize all notes outstanding as of June 30, 2014, including interest are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$1,937,699	\$50,401
2016	<u>224,888</u>	<u>1,548</u>
Total annual requirements	<u>\$2,162,587</u>	<u>\$51,949</u>

NOTE 13 - OPERATING LEASES

ECOT also entered into a lease agreement with St. Vincent DePaul for the use of property as office space and extra storage. The term of the leases commenced July 1, 2013 and matures June 30, 2014. For fiscal year 2014, ECOT paid \$27,600 in operating leases for office space and extra storage. The lease was extended on July 1, 2014 for an additional period of one year.

ECOT also entered into a lease agreement with Cologix, Inc. for the use of property, equipment, and security of ECOT's server equipment. The term of the lease commenced March 30, 2007 and matured March 30, 2009, thereafter automatically renewed on a month-to-month basis at the then-current rate. For fiscal year 2014, ECOT paid \$273,951 in operating leases for server equipment space.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 13 - OPERATING LEASES (Continued)

ECOT also entered into several lease agreements with Xerox, ABS, ComDoc and Océ for the use of copiers and office equipment. The terms of these leases are from 12 to 63 months.

The following minimum lease payments will be made for fiscal year ending:

<u>Fiscal Year Ending June 30</u>	
2015	\$ 71,921
2016	59,731
2017	42,875
2018	40,956
2019	31,263
Total Minimum Lease Payments	<u><u>\$ 246,746</u></u>

NOTE 14 - TAX EXEMPT STATUS

ECOT is approved under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization.

NOTE 15 - MANAGEMENT COMPANY

ECOT contracts with Altair Learning Management I, Inc. (Altair) for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

Per the management agreement with ECOT, Altair is entitled to 4% of all revenues received except federal funding. Altair is also entitled to .5% interest on any outstanding balance. The management fee for the fiscal year ended 2014 was \$4,059,543. As of June 30, 2014, all fees had been paid to Altair.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

ECOT receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of ECOT at June 30, 2014.

B. School Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

C. Judgments

ECOT had a judgment that was entered by the Cuyahoga County Court of Common Pleas on May 11, 2010 in the amount of \$1,311,733, which included the judgment plus pre-judgment interest. This damage award arose out of a breach of contract action filed by an SES/related services provider. On July 22, 2014 ECOT entered into a Settlement Agreement and Mutual Release with Supportive Solutions, LLC in the amount of \$259,572.

NOTE 17 - RELATED PARTY TRANSACTIONS

ECOT contracts with IQ Innovations, LLC for the purchase of curriculum services for ECOT students. The cost of services for fiscal year ended 2014 was \$17,371,712. As of June 30, 2014, \$0 was outstanding and payable. IQ Innovations, LLC and ECOT's management company, Altair Learning Management I, Inc., have the same principal owner.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

NOTE 18 - SUBSEQUENT EVENTS

On July 1, 2014, ECOT extended the lease agreement with St. Vincent DePaul for the use of property as office space in Dayton, Ohio.

On July 1, 2014, ECOT entered into a lease agreement with Altair Learning Management, Inc. for the use of ECOT's office space at the 3700 South High Street location. Monthly base rent is \$645.

Statistical Section



Electronic Classroom of Tomorrow
Columbus, Ohio

Statistical Section

This part of the School's Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School's overall financial health.

Contents	Page(s)
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Financial Trends

These schedules contain trend information to help the reader understand how the School's financial position has changed over time.	36-39
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Revenue Capacity

These schedules contain information to help the reader understand and access the factors affecting the School's ability to generate its most significant revenue sources.	40-43
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Debt Capacity

This schedule presents information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	44
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Demographic and Economic Information

This schedule offers economic and demographic indicators to help the reader understand the environment within which the School's financial activities take place and to provide information that facilitates comparison of financial information over time.	45-46
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Operating Information

This schedule contains data to help the reader understand how the School's financial report relates to the services the School provides and the activities it performs.	47-48
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**Electronic Classroom of Tomorrow
Operating Expenses
Fiscal Years 2005 to 2014**

Year	Salaries	Fringe Benefits	Purchased Services	Materials & Supplies	Merit Incentives	Depreciation & Amortization	Judgments	Other	Total	FTE Enrollment	Per Pupil Expense
2014	\$42,538,404	\$14,882,477	\$30,957,632	\$20,816,196	\$ 966,014	\$1,591,393	\$ 0	\$925,983	\$112,678,099	14,561	\$7,738
2013	\$38,426,868	\$13,537,698	\$24,585,349	\$19,364,690	\$ 783,393	\$1,660,108	\$ 0	\$462,935	\$ 98,821,041	13,721	\$7,202
2012	\$33,275,317	\$11,265,463	\$19,979,516	\$23,618,004	\$ 576,805	\$1,482,566	\$ 0	\$280,233	\$ 90,477,904	12,208	\$7,411
2011 As Restated	\$28,463,938	\$ 8,776,774	\$19,276,657	\$14,729,058	\$ 991,456	\$3,247,243	\$ 0	\$368,186	\$ 75,853,312	10,404	\$7,291
2010	\$24,985,760	\$ 8,538,126	\$15,187,314	\$12,601,919	\$ 0	\$2,439,126	\$1,311,373	\$583,371	\$ 65,646,989	9,214	\$7,125
2009	\$23,414,937	\$ 7,108,112	\$13,937,395	\$12,930,344	\$ 0	\$3,105,639	\$ 0	\$405,389	\$ 60,901,816	8,742	\$6,967
2008	\$19,644,908	\$ 5,947,555	\$14,297,000	\$12,324,862	\$ 0	\$3,234,316	\$ 0	\$393,316	\$ 55,841,957	7,954	\$7,021
2007	\$15,623,636	\$ 4,662,075	\$14,888,917	\$ 9,709,871	\$ 0	\$2,511,356	\$ 0	\$274,375	\$ 47,670,230	7,165	\$6,653
2006	\$13,288,012	\$ 3,672,413	\$19,440,520	\$ 2,072,635	\$ 0	\$2,199,468	\$ 0	\$342,923	\$ 41,015,971	6,597	\$6,217
2005	\$11,197,208	\$ 3,023,087	\$21,062,010	\$ 1,322,854	\$ 0	\$2,365,288	\$ 0	\$629,549	\$ 39,599,996	6,167	\$6,421

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Expenses
Fiscal Years 2005 to 2014**

<u>Year</u>	<u>Interest and Fiscal Charges</u>	<u>Loss on Disposal of Capital Assets</u>	<u>Total</u>
2014	\$ 128,614	\$ 0	\$ 128,614
2013	\$ 126,159	\$ 0	\$ 126,159
2012	\$ 87,972	\$ 0	\$ 87,972
2011	\$ 74,725	\$ 0	\$ 74,725
2010	\$ 136,776	\$ 155,657	\$ 292,433
2009	\$ 187,216	\$ 0	\$ 187,216
2008	\$ 236,014	\$ 0	\$ 236,014
2007	\$ 285,388	\$ 0	\$ 285,388
2006	\$ 258,715	\$ 103,913	\$ 362,628
2005	\$ 351,661	\$ 517,874	\$ 869,535

Source: School Financial Records

**Electronic Classroom of Tomorrow
Net Position
Fiscal Years 2005 to 2014**

<u>Year</u>	<u>Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total End of Year Net Position</u>	<u>Fiscal Year Change in Net Position</u>
2014	\$ 6,472,316	\$ 12,394,084	\$ 12,942,160	\$31,808,560	\$ 2,147,894
2013	\$ 5,687,774	\$ 7,070,271	\$ 16,902,621	\$29,660,666	\$ 3,118,068
2012	\$ 6,113,444	\$ 6,137,664	\$ 14,291,490	\$26,542,598	\$(2,239,649)
2011 As Restated	\$ 5,940,970	\$ 8,514,791	\$ 14,326,486	\$28,782,247	\$ 7,427,677
2010	\$ 4,128,719	\$ 6,660,369	\$ 10,565,482	\$21,354,570	\$ 4,794,223
2009	\$ 2,384,323	\$ 4,425,969	\$ 9,750,055	\$16,560,347	\$ 3,270,977
2008	\$ 4,552,501	\$ 4,774,790	\$ 3,962,079	\$13,289,370	\$ 887,598
2007	\$ 3,551,690	\$ 4,983,180	\$ 3,866,902	\$12,401,772	\$ 2,447,742
2006	\$ 2,845,586	\$ 2,268,409	\$ 4,840,035	\$ 9,954,030	\$ 3,661,934
2005	\$ 3,087,440	\$ 0	\$ 3,204,656	\$ 6,292,096	\$ 3,621,763

Source: School Financial Records

**Electronic Classroom of Tomorrow
Full-Time Equivalent (FTE) Enrollment
Fiscal Years 2005 to 2014**

<u>YEAR</u>	<u>FTE Enrollment</u>
2014	14,561
2013	13,721
2012	12,208
2011	10,404
2010	9,214
2009	8,742
2008	7,954
2007	7,165
2006	6,597
2005	6,167

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Operating Revenues
Fiscal Years 2005 to 2014**

Year	Foundation Payments	Special Education	Other	Total
2014	\$ 83,643,884	\$ 15,631,818	\$ 942,835	\$ 100,218,537
2013	\$ 78,004,989	\$ 10,413,423	\$ 1,507,017	\$ 89,925,429
2012	\$ 69,714,436	\$ 9,059,848	\$ 177,536	\$ 78,951,820
2011	\$ 55,143,440	\$ 7,280,627	\$ 1,504,647	\$ 63,928,714
2010	\$ 49,302,474	\$ 6,519,598	\$ 409,788	\$ 56,231,860
2009	\$ 50,401,427	\$ 7,141,838	\$ 222,173	\$ 57,765,438
2008	\$ 44,655,229	\$ 6,075,226	\$ 227,845	\$ 50,958,300
2007	\$ 39,390,237	\$ 4,868,640	\$ 146,104	\$ 44,404,981
2006	\$ 36,071,852	\$ 3,771,914	\$ 98,523	\$ 39,942,289
2005	\$ 35,093,512	\$ 3,125,147	\$ 452,192	\$ 38,670,851

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Revenues
Fiscal Years 2005 to 2014**

Year	Non-Operating Grants	Interest	Other	Total
2014	\$ 14,659,743	\$ 76,327	\$ 0	\$ 14,736,070
2013	\$ 12,065,892	\$ 73,947	\$ 0	\$ 12,139,839
2012	\$ 9,304,276	\$ 70,131	\$ 0	\$ 9,374,407
2011	\$ 19,348,755	\$ 68,497	\$ 9,748	\$ 19,427,000
2010	\$ 14,414,911	\$ 86,874	\$ 0	\$ 14,501,785
2009	\$ 6,446,335	\$ 137,216	\$ 11,020	\$ 6,594,571
2008	\$ 5,526,700	\$ 480,010	\$ 559	\$ 6,007,269
2007	\$ 5,465,808	\$ 531,086	\$ 1,485	\$ 5,998,379
2006	\$ 4,854,435	\$ 243,809	\$ 0	\$ 5,098,244
2005	\$ 5,363,512	\$ 56,244	\$ 687	\$ 5,420,443

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Grant Revenue By Source
Fiscal Years 2005 to 2014**

Year	TITLE I	TITLE II	TITLE IV	TITLE V	IDEA-B GRANT	SUBGRANT	OTHER	SFSF Funds	ARRA Funds	TOTAL
2014	\$ 7,244,471	\$ 119,309	\$ 0	\$ 0	\$ 3,078,838	\$ 0	\$ 4,217,125	\$ 0	\$ 0	\$ 14,659,743
2013	\$ 7,018,703	\$ 170,814	\$ 0	\$ 0	\$ 3,817,754	\$ 0	\$ 1,197,597	\$ 0	\$ (138,976)	\$ 12,065,892
2012	\$ 6,452,570	\$ 149,047	\$ 0	\$ 0	\$ 2,146,640	\$ 0	\$ 701,484	\$ 0	\$ (145,465)	\$ 9,304,276
2011	\$ 4,943,477	\$ 265,570	\$ 0	\$ 0	\$ 2,071,940	\$ 0	\$ 3,848,909	\$ 5,312,880	\$ 2,905,979	\$ 19,348,755
2010	\$ 5,262,019	\$ 327,232	\$ 52,488	\$ 0	\$ 1,977,319	\$ 0	\$ 47,977	\$ 3,834,215	\$ 2,913,661	\$ 14,414,911
2009	\$ 4,284,443	\$ 283,400	\$ 44,439	\$ 4,461	\$ 1,829,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,446,335
2008	\$ 3,075,394	\$ 229,244	\$ 60,489	\$ 13,906	\$ 2,009,755	\$ 0	\$ 137,912	\$ 0	\$ 0	\$ 5,526,700
2007	\$ 3,331,459	\$ 105,909	\$ 90,226	\$ 218,995	\$ 1,719,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,465,808
2006	\$ 2,810,173	\$ 37,922	\$ 72,835	\$ 209,802	\$ 1,454,698	\$ 0	\$ 269,004	\$ 0	\$ 0	\$ 4,854,434
2005	\$ 3,218,062	\$ 100,641	\$ 43,103	\$ 213,010	\$ 1,156,655	\$ 150,000	\$ 632,040	\$ 0	\$ 0	\$ 5,513,511

Note: 2014 Other includes \$2,951,755 for Straight-A, \$1,188,232 for Race to the Top, \$70,000 for Title I SI, and \$7,138 for Title III.

Source: School Financial Records

**Electronic Classroom of Tomorrow
State Basic Aid – Per Pupil Funding Amount
Fiscal Years 2005 to 2014**

Year	Per Pupil Funding	Cost of Doing Business Factor	Total Per Pupil Funding
2014	\$ 5,745	N/A	\$ 5,745
2013	\$ 5,653	N/A	\$ 5,653
2012	\$ 5,653	N/A	\$ 5,653
2011	\$ 5,703	N/A	\$ 5,703
2010	\$ 5,718	N/A	\$ 5,718
2009	\$ 5,732	N/A	\$ 5,732
2008	\$ 5,565	N/A	\$ 5,565
2007	\$ 5,403	1.0161	\$ 5,490
2006	\$ 5,283	1.0318	\$ 5,451
2005	\$ 5,169	1.0476	\$ 5,415

Note 1: The Cost of Doing Business Factors are determined by the State of Ohio and vary by region. In FY08, the Cost of Doing Business Factor has been eliminated.

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Ratios of Outstanding Debt by Type
Fiscal Years 2005 to 2014**

<u>Fiscal Year</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Per ADM</u>
2014	\$ 2,162,587	\$ 0	\$ 148
2013	\$ 1,084,254	\$ 0	\$ 79
2012	\$ 1,977,893	\$ 0	\$ 162
2011	\$ 0	\$ 785,487	\$ 75
2010	\$ 0	\$ 408,212	\$ 44
2009	\$ 0	\$ 2,940,938	\$ 336
2008	\$ 0	\$ 1,549,268	\$ 195
2007	\$ 0	\$ 3,106,674	\$ 434
2006	\$ 0	\$ 3,043,780	\$ 461
2005	\$ 0	\$ 2,635,014	\$ 427

Source: School Financial Records

**Electronic Classroom of Tomorrow
Student Population by Resident District
2014 Fiscal Year**

Resident District	Percent
Columbus City	10.51%
Cleveland	7.18%
Dayton	3.02%
South-Western	2.86%
Cincinnati Public	2.13%
Akron	1.59%
Groveport Madison	1.45%
Toledo	1.39%
Hamilton	1.25%
Parma	1.25%
Lorain	1.13%
Elyria	1.08%
All Other Districts	65.16%

Note 1: The School draws its student population from 592 school districts. District representing less than 1% of the student population have been combined under the heading "All Other Districts". The school has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Demographic And Economic Statistics
Calendar Years 2003 to 2012**

Calendar Year	Population (in thousands)				Per Capita Personal Income			Civilian Labor Force			
	U.S.	Change From Prior Period	Ohio	Change From Prior Period	U.S.	Ohio	Ohio As a Percentage Of U.S.	Ohioans Employed (in thousands)	Ohio's Unemployment Rate	Public School Enrollment In Ohio (in thousands)	Motor Vehicles Registered In Ohio (in thousands)
2012	313,914	2,322	11,54	(1)	\$42,693	\$40,057	93.8%	6,617	7.2%	1,850	11,840
2011	311,592	2,242	11,545	9	\$41,663	\$37,791	90.7%	6,521	8.6%	1,860	11,788
2010	309,350	2,343	11,536	(7)	\$39,945	\$36,180	90.6%	6,454	10.1%	1,872	12,027
2009	307,007	2,947	11,543	57	\$39,138	\$35,381	90.4%	6,469	10.2%	1,893	11,792
2008	304,060	2,439	11,486	19	\$39,751	\$35,511	89.3%	6,819	6.5%	1,882	11,945
2007	301,621	2,223	11,467	(11)	\$38,611	\$34,874	90.3%	6,829	5.6%	1,890	12,022
2006	299,398	2,988	11,478	14	36,276	33,338	91.9%	6,894	5.5%	1,835	12,128
2005	296,410	2,755	11,464	5	34,495	31,867	92.4%	6,792	5.9%	1,845	12,018
2004	293,655	2,866	11,459	21	33,041	31,135	94.2%	6,733	6.1%	1,844	12,192
2003	290,789	2,848	11,438	28	31,487	29,947	95.1%	6,669	6.1%	1,838	12,084

Source: State of Ohio 2012 Comprehensive Annual Financial Statement. Calendar Year 2012 is the most current data available.

**Electronic Classroom of Tomorrow
Miscellaneous Staff and Student Statistics
Fiscal Years 2005 to 2014**

<u>Year</u>	<u>Instructional Staff</u>	<u>Total Staff</u>	<u>Instructional Staff/ Student Ratio</u>	<u>Number of Current Graduates</u>	<u>Number of Graduates Since Inception</u>
2014	680	1,078	21:1	2,378	15,096
2013	642	987	21:1	2,582	12,718
2012	560	885	22:1	2,266	10,136
2011	537	816	19:1	1,718	7,870
2010	458	682	20:1	1,563	6,152
2009	432	639	20:1	1,252	4,589
2008	379	576	21:1	955	3,337
2007	324	490	23:1	657	2,382
2006	253	398	26:1	780	1,725
2005	218	348	39:1	531	945

Source: School Records

**Electronic Classroom of Tomorrow
Miscellaneous Facility Statistics**

School Address: 3700 South High Street
Columbus, OH

Square Footage: 145,000

Date of Incorporation: February 11, 2000

Source: School Records

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Dave Yost • Auditor of State

ELECTRONIC CLASSROOM OF TOMORROW

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**